

NCA  
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VERA HIRSCHBERG

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## LONG-TERM HIGHS AND LOWS OF ECONOMIC GROWTH

ANNCR:

A LITTLE KNOWN THEORY BY A DISCREDITED SOVIET ECONOMIST ON WORLD ECONOMIC GROWTH CYCLES IS GAINING INCREASING ATTENTION. LAST WEEK THE BANK FOR INTERNATIONAL SETTLEMENTS, A STALWART CAPITALISTIC INSTITUTION, UNEARTHED THE THEORY TO EXPLAIN WHAT IS HAPPENING TO THE WORLD ECONOMY....AS WE HEAR FROM VOA'S VERA HIRSCHBERG.

VOICE:

SOME FIFTY YEARS AGO, NIKOLAI KODRATIEFF PROPOUNDED HIS THEORIES OF THE 50-YEAR SO-CALLED "LONG-WAVE" BUSINESS CYCLE OF WESTERN ECONOMIES. HIS HYPOTHESIS THAT NORMAL RECESSIONS AND RECOVERIES IN WESTERN ECONOMIES TAKE PLACE WITHIN SO-CALLED "SUPERCYCLES" LASTING UP TO 50 YEARS ANGERED HIS SOVIET SUPERIORS. THEY BELIEVED THAT THE ALLEGED DEFECTS IN CAPITALISTIC SOCIETIES WOULD NEVER CORRECT THEMSELVES, AND SO BANISHED KONDRATIEFF TO SIBERIA.

BUT LAST WEEK, THE SWISS-BASED BANK FOR INTERNATIONAL SETTLEMENTS (BIS), SOMETIMES CALLED "THE CENTRAL BANKERS CENTRAL BANK," SUGGESTED THAT THE WORLD ECONOMY MAY BE GOING THROUGH JUST THE TYPE OF CYCLE THE SOVIET ECONOMIST ENVISAGED. THE BIS WARNED THAT THE WORLD'S CURRENT ECONOMIC SLOWDOWN MAY BE HIDING WHAT IT CALLED "THE BREAK" IN ITS RAPID GROWTH PATTERN SINCE WORLD WAR TWO. CONSEQUENTLY, THE BIS REPORT SAID, EVEN IF THE INDUSTRIAL NATIONS SUCCEED IN AGREEING ON A NEW GLOBAL GROWTH PLAN AT THE UPCOMING ECONOMIC SUMMIT MEETING ANY MEASURES THEY WOULD TAKE MAY ONLY HELP TEMPORARILY TO SPEED GROWTH. AFTER SEVERAL DECADES OF UNINTERRUPTED GROWTH, THE REPORT ARGUES, THE WORLD MAY BE IN

WHAT IT CALLED "A SLOWDOWN OF THE KONDRATIEFF-TYPE."

ALTHOUGH THE EVIDENCE OF SUCH A SLOWDOWN IS NOT CONCLUSIVE, AS THE BIS PUT IT: "IT IS NOT IMPLAUSIBLE THAT COUNTRIES HAVE SHIFTED TO A LOWER TREND OF GROWTH RATE." IT WARNS GOVERNMENTS AGAINST SETTING THEIR GROWTH RATE TARGETS IN THE SAME RANGE OF THOSE OF THE 1960S. BUT IT SAYS THE UNITED STATES AND OTHER WESTERN NATIONS SHOULD STEP UP THEIR ENERGY-SAVING EFFORTS TO HELP REDUCE THE HUGE BALANCE OF PAYMENTS SURPLUS OF THE OPEC COUNTRIES.

THE BIS REPORT, WRITTEN BY GENERAL MANAGER RENE LARRE, CITES WHAT IT CALLS SEVERAL "STRUCTURAL OBSTACLES" TO WORLD RECOVERY TO SUPPORT ITS SUGGESTION THAT THE WEST HAS BEEN SLIDING INTO THE DOWNWARD PHASE OF A KONDRATIEFF CYCLE. ONE IS THE TREND IN WESTERN COUNTRIES TO CONSUME MORE AND INVEST LESS THAN IN THE PAST. ANOTHER IS THE GROWING CHALLENGE TO SUCH BASIC WESTERN INDUSTRIES AS STEEL AND SHIPBUILDING BY LOW-COST RIVALS IN THE DEVELOPING COUNTRIES. AND STILL ANOTHER OBSTACLE IS THAT, IN MANY CASES, NEW INVENTIONS AND TECHNOLOGY TEND TO DESTROY JOBS RATHER THAN CREATE THEM AND THE INVESTMENT BOOMS THAT GO WITH THEM.

THE CONVENTIONAL WISDOM OF THE PARIS-BASED ORGANIZATION FOR ECONOMIC COOPERATION (OECD) AND OTHER INTERNATIONAL BODIES HAS BEEN THAT IF THE WEST APPLIES ENOUGH ECONOMIC STIMULUS BARRIERS TO ECONOMIC GROWTH WOULD FALL. BUT THE BIS ARGUES FOR A MIDDLE COURSE, SAYING THAT TOO MUCH STIMULATION IS INFLATIONARY. BUT NEITHER SHOULD THE WORLD PROSPECT OF MEDIOCRE GROWTH, MR. LARRE WRITES. SUCH A PROSPECT HE SAYS, WOULD ONLY LEAD TO HIGHER UNEMPLOYMENT, MORE PROTECTIONISM AND EFFORTS BY BUSINESS AND LABOR TO RAISE THEIR INCOMES. THE MIDDLE COURSE HE PRESCRIBES WOULD RELY MAINLY ON TAX CUTS TO STIMULATE BUSINESS EXPANSION, CREATE JOBS AND RAISE LIVING STANDARDS.